

Audit and Scrutiny Committee
31 May 2022

At a Meeting of the Audit and Scrutiny Committee of North Ayrshire Council at 10.00 a.m. involving participation by remote electronic means and physical attendance within the Council Chambers, Irvine.

Present (Physical Participation)

John Bell, Donald Reid, Eleanor Collier, Cameron Inglis, Tom Marshall and Matthew McLean.

In Attendance (Physical Participation)

A. Sutton, Executive Director and A. McClelland, Head of Service (Education) (Communities and Education); M. Boyd, Head of Service, D. Forbes, Senior Manager (Strategic Business Partner), L. Miller, Senior Manager (Audit, Fraud Safety and Insurance) (Finance), A. Craig, Head of Service (Democratic), H. Clancy and D. McCaw, Committee Services Officers (Chief Executive's Service).

In Attendance (Remote Electronic Participation)

C. Cameron, Director (Health and Social Care Partnership); R. Arthur, Head of Service (Connected Communities) (Communities and Education); M. Anderson, Senior Manager, Committee and Member Services and A. Little, Committee Services Officer (Chief Executive's Service).

Also in Attendance (Physical Participation)

Beth Griffin and Lynn Kirkland (NHS Ayrshire and Arran).

Also in Attendance (Remote Electronic Participation)

P. Kenny (Deloitte).

Chair

Councillor Bell in the Chair.

Apologies

Davina McTiernan, Ian Murdoch and John Sweeney.

1. Chair's Remarks

The Chair agreed, in terms of Standing Order 10.5, to vary the order of business to allow consideration of Agenda Item 3: External Audit Report on Audit Dimensions and Best Value for the year ended 31 March 2022, immediately following Agenda Item 10: Participatory Budgeting, to allow remote attendance by the External Auditor.

2. Declarations of Interest

There were no declarations of interest by Members in terms of Standing Order 11 and Section 5 of the Code of Conduct for Councillors.

3. Accounts Commission's Report: Local Government in Scotland: Financial Overview 2020/21

Submitted report by the Head of Service (Finance) on the findings of the recently published Accounts Commission report on the Financial Overview 2020/21 of Local Government in Scotland. The report analysed the annual accounts produced by Local Authorities together with the reports of each body's external auditors, to identify relative performance, highlight challenges faced and assess responses to those challenges. The relevant feedback on each of the key messages, across 3 main categories identified, was detailed in Appendix 1 to the report.

Members asked questions and were provided with further information in relation to:

- Covid-19 related funding which could not be spent in the last financial year and which was, therefore, identified as earmarked reserves in the current financial year for the specified set-aside purpose; and
- section 2.3 of the report being relative to the national position across Scotland with Section 2.5 specific to North Ayrshire.

The Committee agreed to note (i) the findings of the recent Accounts Commission report; and (ii) the current position regarding North Ayrshire in relation to the findings.

4. Internal Audit Annual Report 2021/22

Submitted report by the Head of Service (Finance) on the work of Internal Audit during 2021/22, covering the 14-month period from 1 February 2021 – 31 March 2022, and detailing an opinion on the governance, risk management and internal control environment of the Council. The full report was attached at Appendix 1 to the report.

Members asked questions and were provided with further information in relation to:

- the potential to reduce the number of procurement cards in operation throughout North Ayrshire in order to mitigate misuse;
- the rationale for the allocation of Procurement Cards to more than one person within a service;
- the retrospective procurement card transaction authorisation process by a designated approver;
- delays between the purchase of goods/services and approval of transactions; and
- spending level analysis information which could be provided to the Committee.

The Head of Finance undertook to confirm the current number of Procurement Cards in operation across North Ayrshire, together with options for rationalising the number being utilised, and to provide spending level analysis information to the Committee.

The Committee agreed to note (i) the content of the annual report detailed at Appendix 1 to the report and (ii) the opinion of the Senior Manager on the Council's governance, risk management and internal control environment.

5. Annual Governance Statement 2021-22

Submitted report by the Head of Service (Finance) on the Council's Annual Governance Statement for 2021-22 for inclusion within the draft Annual Accounts. The Annual Governance Statement, detailed at Appendix 1 to the report, outlined the governance framework in place and changes which had been made to strengthen the framework during 2021-22.

The Committee agreed to approve the draft Annual Governance Statement as detailed at Appendix 1 to the report.

6. Accounting Policies 2021/22

Submitted report by the Head of Service (Finance) on the accounting policies which would be adopted in the preparation of the Council's Annual Accounts for the year to 31 March 2022. The draft Accounting Policies proposed for adoption were detailed at Appendix 1 to the report.

Members asked questions and were provided with further information in relation to:

- the number of leases currently held by North Ayrshire Council;
- the benefit of utilising loans to buy assets outright as opposed to leasing in the current financial climate; and
- termination benefit information being provided to the Committee on a service basis.

The Senior Manager (Strategic Business Partner) undertook to provide termination benefit information to the Committee on a service basis.

The Committee agreed to approve the Accounting Policies as detailed in Appendix 1 to the report.

7. Corporate Fraud Team Annual Report 2021/22

Submitted report by the Head of Service (Finance) on the work of the Corporate Fraud Team during 2021/22, where 280 referrals for investigation had been received.

The Senior Manager (Internal Audit, Risk and Fraud) highlighted investigations which had been carried out across a range of areas including employee-related matters as well as Council Tax, Discretionary Housing Payments, Scottish Welfare Fund, Blue Badges and Housing tenancy issues. The Committee was advised that joint working with the DWP Single Fraud Investigation Service (SFIS) in cases where there were suspected frauds relating to both DWP Benefits and Council Tax Reduction, had been suspended during the Pandemic, but the DWP had intimated that this work would recommence. It was further highlighted that the increase in referrals was not yet back to pre Covid-19 levels.

Members asked questions and were provided with further information in relation to:

- whether 'scammers' were still an issue across North Ayrshire; and

- the slight reduction in the number of blue badge misuse warning letters issued given that the Corporate Fraud Team investigated 100% of the referrals made to the Team.

Noted.

8. Internal Audit and Corporate Fraud Action Plans: Quarter 4 Update

Submitted report by the Head of Service (Finance) on the progress made by Council Services in implementing the agreed actions from Internal Audit and Corporate Fraud reports as at 31 March 2022. Appendix 1 to the report provided full details of the actions which were not completed within the agreed timescale, including the most recent update information.

Members asked questions and were provided with further information in relation to:

- progress with the first 2 HSCP actions on page 96 of the report Appendix, with delays being attributed jointly to the 3 Ayrshire Councils and the NHS Board; and
- the establishment of a short-life working group to progress both HSCP actions with estimated completion by December 2022

The Committee agreed to note (i) the current position with the implementation of Internal Audit and Corporate Fraud actions; and (ii) that those Services which had not implemented actions within the previously agreed timescales would be challenged.

9. Internal Audit Reports Issued

Submitted report by the Head of Service (Finance) on the findings of Internal Audit work completed between March and April 2022. The findings from four audit assignments were detailed at Appendix 1 to the report, together with the respective executive summaries and action plans.

Members asked questions and were provided with further information in relation to:

Secondary Schools

- self-assessments carried out by secondary schools due to the Covid-19 pandemic;
- the audit planning process focussing primarily on Primary Schools in the current year; and
- the use of any surplus time gained once planned audit work had been completed, to allow a focus on Secondary Schools.

Noted.

10. Participatory Budgeting

Submitted report by the Executive Director (Communities and Education) providing an update on engagement methods used in Participatory Budgeting events and on future engagement approaches following the easing of restrictions in terms of Covid-19.

The Committee agreed to approve the recommended engagement methods for use in future Participatory Budgeting events, as set out in the report.

11. External Audit Report on Audit Dimensions and Best Value for the year ended 31 March 2022

Submitted report by Head of Service (Finance), and received a verbal report by the External Auditor, on the findings from the External Audit report on Audit Dimensions and Best Value for 2021/22 which summarised the external auditor's conclusions across four audit dimensions within the scope of the 2021/22 audit work, and the review of arrangements made by the Council for securing Best Value. The full External Audit Report was attached at Appendix 1 to the report.

The Committee agreed (a) to note (i) the findings contained in the External Auditor's very positive Audit Dimensions and Best Value report detailed at Appendix 1 to the report; and (ii) the sector developments as outlined in the report; and (b) to receive the External Auditor's Annual Report on the accounts to the meeting to be held on 27 September 2022.

12. Exclusion of the Public – Para 1

The Committee resolved in terms of Section 50(A)4 of the Local Government (Scotland) Act 1973, to exclude from the Meeting the press and the public for the following item of business on the grounds indicated in terms of Paragraph 1 of Part 1 of Schedule 7A of the Act.

13. Investigation Reports Issued

Submitted report by the Head of Service (Finance) on investigation reports finalised since the last meeting.

Noted.

The meeting ended at 11.05 a.m.

Audit and Scrutiny Committee
30 June 2022

At a Special Meeting of the Audit and Scrutiny Committee of North Ayrshire Council at 10.00 a.m. involving participation by remote electronic means,

Present

John Bell, Eleanor Collier, Cameron Inglis, Tom Marshall, Matthew McLean, Ian Murdoch and John Sweeney.

Also Present

Joe Cullinane, Scott Davidson, Todd Ferguson, Robert Foster, Tony Gurney, Alan Hill, Christina Larsen and Nairn McDonald.

In Attendance

A. Sutton, Executive Director (Communities and Education); C. McAuley, Head of Service (Economic Development and Regeneration) and L. Kirk, Senior Manager (Regeneration) (Place); M. Boyd, Head of Service (Finance), A. Craig, Head of Service (Democratic), C. Stewart and H. Clancy, Committee Services Officers (Chief Executive's Service).

Chair

Councillor Bell in the Chair.

Apologies

Davina McTiernan and Donald Reid.

1. Declarations of Interest

There were no declarations of interest by Members in terms of Standing Order 11 and Section 5 of the Code of Conduct for Councillors.

2. Call-In: Revenue Budget 2021/22: Financial Performance to 31 March 2022

Submitted report by the Chief Executive on a call-in request received in respect of a decision taken by Cabinet on 7 June 2022 on the financial performance of the Council at 31 March 2022. The report to Cabinet, with various appendices, attached at Appendix 1 to the report, contained detailed explanations of the significant variances in service expenditure compared to the approved budgets, together with information on funding to be carried forward to support expenditure during 2022/23, a full list of the proposed carry forward of earmarked funds and information in respect of the Housing Revenue Account (HRA). An updated briefing note had been provided by the Head of Service (Finance) and was attached at Appendix 2 to the report.

The Cabinet agreed (a) to note (i) the information and financial performance outlined in the report and its associated appendices, (ii) the transfer of the net in-year underspend of £3.073m to supplement the Investment Fund, (iii) the financial performance of the Health and Social Care Partnership at paragraph 2.7 of the report and (iv) the IJB cumulative deficit position of £2.320m at 31 March 2022; and

(b) to approve the additional earmarking of £11.833m identified at section 2.5 of the report to meet future year commitments.

Subsequently, a call-in request was received from Councillors Foster, McDonald and Cullinane in the following terms:-

Reason for Call-In

“To provide more support to residents struggling with the cost-of-living crisis.”

Desired Outcome

“• Remove Contribution to the Loans Fund

• Remove Provision for additional non-contractual inflationary pressures (with it to be met by existing unearmarked reserves

Reallocate to:

- £500,000 pre-payment meter fund to support low-income families on pre-payment meters
- £750,000 to reinstate £4 per eligible child per day voucher scheme during the school holidays for the remainder of 2022/23.
- Additional £1,000,000 the Community Based Energy Support (check name) for energy-efficiency grants
- £300,000 to provide a £50 winter top-up to the school clothing grant in 2022/23
- Additional £200,000 for Cost of the School Day activity win 2022/23 to address the rising cost of living
- £641,000 to widen access to the Better Off financial inclusion service.”

Prior to consideration of this matter, the Head of Democratic Services summarised the procedure for considering the call-in requests in terms of Standing Orders and referred to the Cabinet decision.

Thereafter, the Members who had requested the call-in were invited to speak. Councillor McDonald advised that he would speak to this call - in request along with the two others on the agenda, with Councillors Cullinane and Foster being available to answer any questions, if required. He then addressed the Committee in support of the call-in request.

The Chair then invited Councillor Larsen, as the Cabinet Member for Finance, to address the meeting. She explained the reasoning for the Cabinet decision and referred to an updated briefing note from the Head of Service (Finance) provided at Appendix 2 to the report.

The Head of Service (Finance) was also heard in relation to the report presented to Cabinet and on issues raised by the call-in, reference being made to the briefing note at Appendix 2.

Members asked questions of Councillors McDonald, Larsen and the Head of Service (Finance) and were provided with further information in relation to:

- Anticipated inflationary increases, since the Council had set its budget for the current financial year;
- Inflation and the cost of living; and

- The position on Reserves, in view of the anticipated inflationary increase, and potential pressure on budgets.

Councillor Marshall, seconded by Councillor Inglis, moved that the Committee agree not to support the call-in request and that the previous decision of Cabinet should stand.

As an amendment, Councillor Sweeney, seconded by Councillor Bell, moved to accept the terms of the call-in request.

Thereafter, on a division and a roll call vote, there voted for the amendment, Councillors Bell and Sweeney (2) and for the motion, Councillors Collier, Inglis, Marshall, McLean and Murdoch (5), and the motion was declared carried.

Accordingly, the Committee agreed not to support the call-in request.

3. Call In: Regeneration Delivery Plan Funding Proposals 2022/23

Submitted report by the Chief Executive on a call-in request received in respect of a decision taken by Cabinet on 7 June 2022 on the Regeneration Delivery Plan Funding Proposals for 2022/23. The report to Cabinet, attached as an Appendix to the report, sought approval for the 2022/23 Regeneration Delivery Plan funding proposals. An updated briefing note had been provided by the Executive Director (Place) and was attached at Appendix 2 to the report.

The Cabinet agreed (a) to approve the Regeneration Delivery Plan funding proposals for 2022/23 provided at Appendix 1 to the report; (b) that delegated authority be granted to the Executive Director (Place) to agree changes to the funding allocations in consultation with the Portfolio Lead, as required; and (c) to note the update on the previously agreed Levelling Up Fund (LUF) bid for the 'Gateway to the West Coast and Clyde Islands strategic regeneration package' and that this LUF bid would now be solely based on the development of Lochshore.

Subsequently, a Call In request was received from Councillors Foster, McDonald and Cullinane in the following terms:-

Reason for Call In

"To tackle privately owned vacant and derelict sites in North Ayrshire with a fund to bring the sites into council or community ownership."

Desired Outcome

"Remove the following from the Placed based projects:

Saltcoats Place Framework £70,000
 Largs Place Framework £70,000
 Kilwinning Place Framework £70,000
 Future Years Project Development £40,000

Reduce the following in the VDLF:

Development work to £160,000

Replace with:

£410,000 (£250,000 Placed Based and £160,000 VDLF) to create a new High Street Buyout Fund to deliver a Community Wealth Building approach to town centre regeneration, aimed at bringing privately owned derelict sites into Council or community ownership to be repurposed for the benefit of the community. This fund would act as a delivery arm of the Place Frameworks and build on the projects supported through the Repurposing Property Grant with further funding in future years.”

Thereafter, the Members who had requested the call-in were invited to speak. Councillor McDonald advised that he would speak to this call-in request, with Councillors Cullinane and Foster being available to answer any questions, if required. He then addressed the Committee in support of the call-in request.

The Chair then invited Councillor Gurney, as the Cabinet Member for Economy & Climate Change, to address the meeting. He explained the reasoning for the Cabinet decision and addressed matters raised by the call-in.

The Senior Manager (Regeneration) referred to an updated briefing note from the Executive Director (Place), provided at Appendix 2 to the report.

Members asked questions of Councillors McDonald, Gurney and the Senior Manager (Regeneration) and were provided with further information in relation to:

- The reasons for seeking the change since the budget was agreed in March;
- Mechanisms for achieving owners to sell properties;
- The number of Compulsory Purchase Orders (CPOs) that had been carried out in North Ayrshire during the last 10-year period;
- The strict parameters and requirements that required to be met regarding CPOs to allow them to be progressed in appropriate and specific circumstances
- Delivery proposals; and
- The qualifying criteria for Vacant and Derelict Land Funding.

Councillor Marshall, seconded by Councillor Collier, moved that the Committee agree not to support the call-in request and that the previous decision of Cabinet should stand.

As an amendment, Councillor Sweeney, seconded by Councillor Bell, moved to accept the terms of the call-in request.

Thereafter, on a division and a roll call vote, there voted for the amendment, Councillors Bell and Sweeney (2) and for the motion, Councillors Collier, Inglis, Marshall, McLean and Murdoch (5), and the motion was declared carried.

Accordingly, the Committee agreed not to support the call-in request.

4. Call-In: North Ayrshire Covid Recovery Fund

Submitted report by the Chief Executive on a call-in request received in respect of a decision taken by Cabinet on 7 June 2022 on the North Ayrshire Covid Recovery

Fund. The report to Cabinet, attached at Appendix 1 to the report, sought agreement for the proposed North Ayrshire Economic COVID Recovery Fund Investment Plan. An updated briefing note had been provided by the Executive Director (Place) and was attached at Appendix 2 to the report.

The Cabinet agreed to (a) note the Scottish Government's recently announced Economic Covid Recovery Fund, which would see an allocation of £2.154m for North Ayrshire; and (b) approve the proposed North Ayrshire Economic COVID Recovery Fund Investment Plan

Subsequently, a call-in request was received from Councillors Foster, McDonald and Cullinane in the following terms:-

Reason for Call In

"Given their dominance of the local bus market, the "Public Transport Travel Scheme" is effectively a public subsidy for Stagecoach at a time when they are cutting local services."

Desired Outcome

"That we send a very strong public message to Stagecoach that the Council will not accept their cuts to local bus services and therefore the £20,000 for the "Public Transport Travel Scheme" be reallocated to support the North Ayrshire Fairer Food Network."

Thereafter, the Members who had requested the call-in were invited to speak. Councillor McDonald advised that he would speak to this call-in request, with Councillors Cullinane and Foster being available to answer any questions, if required. He then addressed the Committee in support of the call-in request.

The Chair then invited Councillor Gurney, as the Cabinet Member for Economy & Climate Change, to address the meeting. He explained the reasoning for the Cabinet decision and addressed matters raised by the call-in.

The Head of Service (Economic Development and Regeneration) referred to an updated briefing note from the Executive Director (Place), provided at Appendix 2 to the report.

Members asked questions of Councillors McDonald, Gurney and the Head of Service (Economic Development and Regeneration) and were provided with further information in relation to:

- The operation of the proposed scheme including identification of recipients and providers;
- Other types of support available from third sector organisations including assistance with travel; and
- Availability of supplies for foodbanks.

Councillor McLean, seconded by Councillor Collier, moved that the Committee agree not to support the call-in request and that the previous decision of Cabinet should stand.

As an amendment, Councillor Sweeney, seconded by Councillor Bell, moved to accept the terms of the call-in request.

Thereafter, on a division and a roll call vote, there voted for the amendment, Councillors Bell and Sweeney (2) and for the motion, Councillors Collier, Marshall, McLean and Murdoch (4), and the motion was declared carried. Due to a technical issue, Councillor Inglis left the meeting prior to the roll call vote taking place.

Accordingly, the Committee agreed not to support the call-in request.

The meeting ended at 11.25 a.m.